

**Vermont Department of Taxes  
TECHNICAL BULLETIN**

**TB-17**

**TAX: SALES AND USE**

**Issued: 11/18/99**

**SUBJECT: SALES TAX EXEMPTIONS FOR CLOTHING**

**32 V.S.A. § 9741(45)**

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This bulletin addresses several questions received after Technical Bulletin 16 was released. Interested parties are referred to the earlier bulletin, TB-16 dated October 20, 1999, for general information about the exemption for articles of clothing with purchase prices of \$110 or less. Questions have been raised regarding bridal apparel and accessories, application of designs or lettering to garments, shipping and handling charges, and the distinguishing between hair notions and clothing.

***What items are considered “Bridal Apparel and Accessories” ?***

The same definition of clothing is used for bridal wear as for other articles of clothing. Veils, headpieces, lace shawls, garters, gloves, are clothing. Articles such as jewelry or clutches are not clothing and continue to be subject to sales tax.

***How is a charge for application of a design or lettering to T-shirts handled?***

If the application of the design or lettering is not coincidental to the sale (e.g. a customer brings in a garment bought elsewhere) the charge for the application is a fabrication charge and is taxable only if it exceeds \$110. Charges for application of designs or lettering to items other than articles of clothing will continue to be taxable regardless of the price.

Where the application of the design or lettering is coincidental to the sale, the purchase price of the article is the total amount charged (the price for the plain garment plus the price for the lettering or design). If the total amount is \$110 or less, no part of the charge is subject to tax.

***How does the exemption affect shipping and handling charges?***

Although sales tax is not imposed on the service of shipping and handling, the statute requires these charges to be part of the tax base for merchandise which is subject to tax<sup>1</sup>. Thus tax must be collected on the shipping and handling charge if, but only if, the merchandise is subject to tax.

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<sup>1</sup> A separately stated charge for transportation to the customer by common or contract carrier or by U.S. mail is not included in the taxable receipt. 32 V.S.A. § 9701(4). A shipping and handling charge combines both transportation and handling, thus it does not qualify as a separately stated transportation charge and can not be excluded under this provision.

In determining whether an article has a purchase price in excess of \$110.00 the entire receipt including the shipping and handling charge is used unless:

1. the charge is not normally computed on individual items; and
2. the vendor's shipping and handling charges do not normally exceed the cost of these activities.

Where both of these conditions apply, a vendor may ignore the shipping and handling charge while determining whether an article has a purchase price over \$110. This safe haven is intended to relieve vendors from the logistical problems of determining the total price when the shipping and handling charge is computed on the total order rather than on individual articles. If a vendor's price structure is designed to create a profit on shipping and handling, however, the safe haven can not be used.

Example 1. Vendor A lists a sweater in its catalog as selling for \$ 105. A customer orders three sweaters and is charged \$315 plus shipping and handling of \$21. The \$21 is computed based on the shipping distance and the total amount of the order. Vendor A has calculated the shipping and handling charges in its catalog to recover the cost of packaging, shipping, and the payroll of personnel in its shipping department. Because the purchase price of each sweater is \$105, no tax is collected on the order.

Example 2. In addition to its sweaters, Vendor A lists jackets for \$ 125 each. A customer orders one jacket and two sweaters and is charged \$335 plus \$21 shipping and handling. Vendor A collects tax on \$ 146, the charge for the jacket which cost more than \$110 plus the charge for the shipping and handling charge on the jacket. (Because the shipping and handling charge on the jacket is not itemized, the tax applies to the entire charge.)

Example 3. Vendor B lists sweaters for \$100 each. A customer orders three sweaters and is charged \$300 plus \$45 shipping and handling charge. The shipping and handling charge is computed by reference to distance and the charge for the total order. Vendor B sets its shipping and handling charge to create a profit above the costs of providing packaging and shipping. The purchase price for each sweater is \$115 (\$100 plus one third of the shipping and handling charge). Because the purchase price is more than \$110, the sweaters are taxable and tax is collected on \$345.

Example 4. Vendor C lists sweaters for \$100 each plus a shipping and handling charge of \$12 per sweater and also lists caps for \$40 plus shipping and handling of \$5 per cap. A customer orders one sweater and one cap for a total charge of \$157. Because the shipping and handling is computed on each article, the purchase price of the sweater is \$112 (taxable) and the purchase price of the cap is \$45 (exempt). Tax is collected on \$112.

***How does the Department distinguish between taxable hair notions and exempt clothing such as hair bows?***

Items used to contain or decorate hair are usually not considered clothing. Head coverings such as hats, caps, bonnets, and the like are clothing. Items which are primarily fabric and which provide more than incidental head covering will be considered clothing even if they also contain or decorate hair. Hair bows, scrunchies, and beanies are clothing. Strings, elastic bands or rings, leather straps used to contain hair or tiaras will not be considered to be clothing.

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